

Do Your Part — Reporting Fraud

Though you may not be a victim, everybody pays for insurance fraud. Insurance companies that lose money due to fraud often raise premiums to compensate. The Coalition Against Insurance Fraud estimates that fraud costs insurance carriers and consumers \$80 billion a year — that averages out to about \$950 per family in the United States.

To help combat insurance fraud, regulators and law enforcement officials rely on honest companies and individuals to report suspicious activity.

Reporting insurance fraud in Minnesota is easy and you can remain anonymous.

CALL: 1-888-FRAUDMN (1-888-372-8366)

ONLINE: www.insurance.mn.gov and click on Fraud

WRITE: Minnesota Department of Commerce, Insurance Fraud Prevention Division, 85 7th Place East, Suite 500, St. Paul, MN 55101-2198

INSURANCE FRAUD

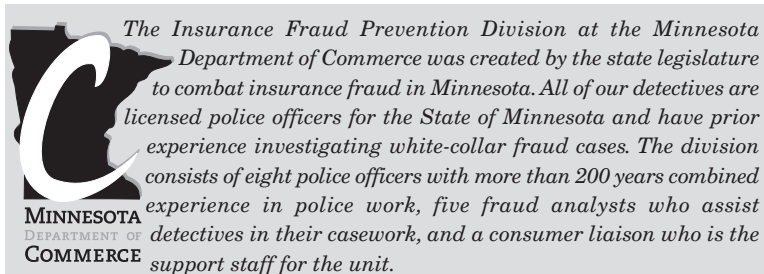
...IT'S A CRIME



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**Minnesota Department of Commerce
Insurance Fraud Prevention Division
85 7th Place East, Suite 500
St. Paul, MN 55101-2198**



The Insurance Fraud Prevention Division at the Minnesota Department of Commerce was created by the state legislature to combat insurance fraud in Minnesota. All of our detectives are licensed police officers for the State of Minnesota and have prior experience investigating white-collar fraud cases. The division consists of eight police officers with more than 200 years combined experience in police work, five fraud analysts who assist detectives in their casework, and a consumer liaison who is the support staff for the unit.

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Insurance fraud is a crime and it's on the rise ...

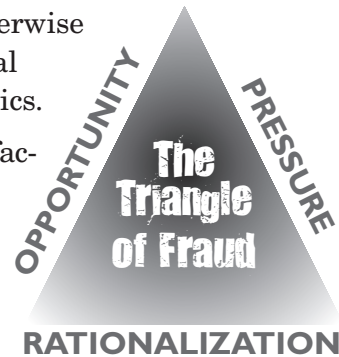
Unlike perpetrators of other crimes, people who commit insurance fraud aren't easily distinguished from otherwise law-abiding citizens. They share no special demographic or psychological characteristics.

There are, however, certain situations and factors that tend to cultivate insurance fraud:

PERCEIVED PRESSURES related to work or personal finances, vices, or a challenge to "beat the system";

PERCEIVED OPPORTUNITIES like poor management, poor accounting, a lack of procedure and control, lax discipline, or failure to conduct audits;

RATIONALIZATION OF THE FRAUD that often stems from "the-organization-owes-me," "I-deserve-it," or "It's-for-a-good-purpose" mentality. Some perpetrators convince themselves they are only borrowing the money and will pay it back and that no one will get hurt.



Types of Insurance Fraud – Internal vs. External

INTERNAL FRAUD occurs when the fraud is perpetrated against the insurance company or its policyholders by insurance agents, managers, executives or other insurance employees.

Examples include:

Issuing fake policies, certificates, insurance identification cards or binders;

Making false statements in filings with the Minnesota Department of Commerce;

Pocketing premiums then issuing phony policies or failing to issue any policy at all.

EXTERNAL FRAUD schemes are orchestrated against insurance companies by individuals or entities such as policyholders, medical providers, beneficiaries, vendors, chiropractors and career criminals.

Examples include:

ARSON FOR PROFIT — An owner of a property, or someone hired by an owner, deliberately burns a business, home or vehicle to collect insurance money;

FALSIFYING THEFT REPORTS — A property owner falsely reports that items were stolen or exaggerates the value of items taken in a burglary so they can collect insurance money;

MEDICAL MILLS — Unethical medical providers working in concert with patients to create fictitious, accident-related work injuries for the purposes of filing fraudulent disability, workers' compensation and personal-injury claims;

PROPERTY FRAUD — An owner buys multiple policies on the same property or vehicle then purposely damages or destroys the property or vehicle and collects insurance money from all the policies;

WORKERS' COMPENSATION FRAUD — Business owners operating with inadequate or no workers' compensation insurance; or employees collecting benefits on phony work-related injury claims.

Are You a Victim?

How do you detect insurance fraud or know that you've been a victim? First, be on the lookout for the following pattern:

THEFT — Perpetrators begin the scheme by stealing inventory, information, cash or other assets;

CONCEALMENT — They then go to great lengths to hide the fraud;

CONVERSION — Lastly, the perpetrator(s) converts any non-cash assets to cash and begins to spend the money.

Other signs of insurance fraud include:

A sudden change in the lifestyle of a colleague, friend or family member, suggesting they've recently acquired some money;

Missing or doctored documents

Inaccuracies in ledgers

